

TRANSLEARN Policy Informing Conference

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I. Key Findings of the Project

TRANSLEARN is a remarkable and original project, based on detailed case studies of innovation and restructuring of companies and communities in four Nordic countries and Slovenia, which are at the same time systematically placed in a broader macro-comparative framework.

The project's findings broadly confirm widespread claims that the Nordic countries have been surprisingly successful in adapting to globalization and the new economy – despite, or in many respects because of their high levels of taxation and public expenditure, high rates of unionization and collective bargaining, corporatist policy networks, and encompassing social welfare systems. Indicators of this success include: high employment rates, especially for women; low inequality and poverty; high levels of innovation; and high fertility rates. But the project's findings go well beyond standard presentations of the nature and merits of the Nordic model in the EU policy debate, which emphasize, for example, their high rates of formal R&D investment or the ‘golden triangle’ of flexicurity, based on flexible labor markets with low levels of employment protection; generous, universal social welfare systems, and high expenditure on active labor market policies (AMLPs).

As synthesized in Peer Hull Kristensen's concluding paper, the project's key finding is that the successes of the Nordic countries depend on an emergent system of risk sharing between households, firms, regions, and states, based above all on the provision of individually tailored services and high levels of continuing education and training. This system of risk sharing enables individuals to develop their skills and families to combine reproductive tasks with high rates of engagement in the unpredictable rhythms and intensive demands of participating in the new economy of continuous innovation, thereby giving rise to a pervasive pattern of diffuse entrepreneurship at all levels of society. It has also enabled firms to become learning organizations combining high worker autonomy and high productivity, places where employees explore their own ideas, develop their skills, and network directly with their counterparts in other organizations. In many cases, finally, this system of risk sharing has supported the development of what Kristensen calls a strategy of servicing the sophisticated customer, in which firms—and their employees—solve increasingly complex problems for demanding clients, at home and abroad, in the public and the private sectors, thereby blurring the boundary between manufacturing and services.

At the same time, however, the project's findings also call attention to significant differences *between* the four Nordic countries themselves:

- In terms of the points of departure of the companies and localities studied: R&D organizations in Sweden, artisanal and manufacturing firms in Denmark and Finland, state-owned enterprises in Norway; networked railway towns in Denmark, isolated mill communities in Sweden and Finland, material processing centers in Norway.
- In terms of the pathways through which these countries have moved towards new forms of risk sharing and organizational learning: e.g. the degree of central coordination vs. bottom-up restructuring (Finland vs. Denmark); the identity of the key actors (engineers in Finland, skilled craftsmen in Denmark, managers of privatized state enterprises in Norway); the structure, formality, and location of corporatist networks; and the role of traditional state regional policies.
- In terms of variations in outcome: e.g. levels of employment protection and inter-firm mobility, with Denmark and Sweden at opposite poles, and Finland and Norway in between; levels and distribution of formal R&D expenditure (highest in Finland and Sweden; lower in Denmark, though relatively high in small and medium-sized enterprises (SMEs); dominance of the public sector in Norway; levels of expenditure on ALMPs and on skill training within them (both very high in Denmark and very low in Norway, with the other two countries in between).

Very significantly, the project also draws attention to weaknesses and shadows in the Nordic cases, notably:

- Relatively high and persistent levels of unemployment and regional inequality in *Finland*, coupled with the exclusion of important sectors of the population from the new economy and the low level of entrepreneurship beyond engineers and the higher education, as well as the insularity of innovation strategies even with the information and communications technology (ICT) sector.
- Weak linkages between SMEs and university research in *Denmark*, together with limited capacity for radical innovation in wholly new products.
- Trends towards labor market dualism in *Norway* and over-reliance on passive benefits for the unemployed and excluded, alongside the withdrawal of the state from the active promotion of innovation and skill formation.
- High and unmeasured costs of supporting restructuring of local industrial communities in *Sweden*.
- Weak PISA performance of Denmark and Sweden relative to Finland, despite high levels of educational expenditure.

These country-specific weaknesses point to a broader problem highlighted by the project: the absence of any general formula for turning the Nordic social welfare systems into an enabling welfare state. As Kristensen underlines, good performances, in terms of outcomes and governance, have emerged through a blind process of contingent co-

evolution rather than being deliberately created by public policies. Hence despite their remarkable successes, no conscious mechanisms have been developed for systematic learning from local innovation within and between the Nordic countries themselves.

II. Implications for EU Policy Debates

Several valuable implications for current EU policy debates can be drawn from the findings of the TRANSLEARN project. One concerns the need for an integrated European strategy and policy coordination framework, embracing social cohesion and education and training as well as economic growth, innovation, and employment. In light of TRANSLEARN's analysis of how social welfare and education and training systems in the Nordic countries support individuals, households, and regions in developing diffuse entrepreneurship and innovative capabilities, it makes little sense to design a European strategy for growth and jobs or for competitiveness through innovation, which does not include social protection/inclusion and education and training as integral components. (For a fuller development of this argument, see Jonathan Zeitlin, "EU Policy Coordination Beyond 2010: Towards an Inclusive Governance Architecture", in Committee of the Regions, *Proceedings of the Workshops on Multilevel Governance*, Brussels: CoR, 2009).

A second implication concerns the need to focus primarily on the enabling dimension of flexicurity, which encourages and supports individual and collective risk taking, rather than on reducing employment protection. For one thing, there appears to be no correlation across the Nordic countries between levels of employment protection and job tenure on the one hand and rate of unemployment or innovation on the other, as can be seen by comparing Sweden and Denmark. The Danish case also demonstrates the value of preparing employees in advance to find new jobs in cases of enterprise restructuring, rather than incurring income support costs once they become unemployed, an example now being emulated by Sweden. The contrast between the Danish and Norwegian experiences further underlines the key role of investment in lifelong education and training in sustaining an inclusive labor market and high levels of diffuse entrepreneurship.

A final implication of the TRANSLEARN project's findings concerns the need to foster and develop cross-national learning from local innovation at the European level. There is, as we have seen, no general formula for how to create an enabling welfare state even in the Nordic countries, which display significant variations in practice and performance among themselves. Thus it is not just new Member States like Slovenia or low-performing continental welfare states which can learn from such cross-national comparisons. Despite being the 'best pupils in the European class' on many dimensions, the Nordic countries thus have a lot to learn, as well as to teach, not only from each other, but also from other national systems and local experiments, within and beyond the EU.